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ESSENTIAL ELEMENTS IN INTERNATIONAL CONTRACT NEGOTIATIONS

by

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ESSENTIAL ELEMENTS IN INTERNATIONAL CONTRACT NEGOTIATIONS

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I.   INTRODUCTION

We live in a world where negotiation is a fact of life. Every one of us negotiates something every day. Someone discusses a pay raise with his boss; another person negotiates a sale price or the purchase of a house. Negotiation is also present in our professional lives. A corporate executive meets with a union leader to try and prevent a strike. Two lawyers try to settle the differences of their clients. Two companies plan the common exploitation of a natural resource. The government discusses an acquisition contract with a company. In the above examples, the parties involved have some interests that are shared and others that are opposed. Negotiation is the two-way communication process designed to help reach an agreement. In a world where many people demand to participate in decisions that affect them, the possession of negotiation skills is vital to a successful outcome. Furthermore, today's globalization market requires that professionals have to deal not only with different economic, legal and political environments but also must know how to balance across different national, organizational and professional cultures at the negotiation table.

The purpose of this study is to examine the interaction of groups in the environment of international contract negotiations and focus on the impact of culture in the negotiation process.

In the following section a literature review of the psychological study of negotiation and an overview of the behavioral decision perspective on negotiation will be provided, In addition, recent efforts to create a new social psychology on negotiations will be illustrated and linked to cultural aspects of group negotiation. In the later part of the study, observations of expert negotiators who participated in contract negotiation teams from Greece and the United States will be used to develop propositions about the interaction between theories of social psychology and culture in international negotiations.

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II.   THE SOCIAL PSYCHOLOGY OF NEGOTIATION

Negotiation can be defined as a two-way communication process for the purpose of reaching a joint agreement about differing needs or ideas.[1]

Negotiation was the subject of many research papers written by social psychologists. In the sections that follow, the general conclusions arising out of their domains of research that are related to the negotiation between multicultural groups are discussed.   These include situational, social and personal factors that can impact negotiating processes and outcomes.

A.   SITUATIONAL CHARACTERISTICS OF NEGOTIATIONS

The situational characteristics of negotiations are variables which define the context of negotiation. Situational characteristics include the presence of constituencies (Druckman 1967), parties' incentives and payoffs (Axelrod and May 1968), power (Marwell 1969), deadlines (Pruit and Drews 1969), the number of people on each side (Marwell and Schmitt 1972), and the presence of third parties (Pruit and Johnson 1972). The research on situational characteristics has contributed to the understanding of negotiation.

However, because these features of a negotiation are often beyond the control of the individual, I believe that a shift of attention towards factors that are more under the control of the negotiator could be more helpful.

B.   THE BEHAVIORAL DECISION PERSPECTIVE

Research in negotiation was strongly influenced by the cognitive revolution in psychology. In the 1980s and 1990s the research shifted in the direction of behavioral decision research (BDR), where the interaction between descriptive and prescriptive researchers facilitated the research on this behavioral decision perspective (Bazerman and Neale 1992). Prior to 1982, the prescriptive research on negotiation focused mainly on game theory which is a mathematical analysis of the moves of fully rational negotiators. A key turning point in negotiation research was when Raiffa (1982) focused on providing the best advice to a negotiator. First, according to Raiffa, it was important to develop

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[1] Acuff, Frank L., How to Negotiate Anything with Anyone Anywhere around the World, New York: AMACOM, 1993

accurate descriptions of the opponent negotiator, rather than assuming that he or she was fully rational. Second, the use of negotiation analysis to give advice implicitly acknowledges that negotiators themselves do not intuitively follow purely rational strategies. Finally, Raiffa laid the ground work for a dialog between prescriptive and descriptive researchers in order to understand how negotiators actually make real decisions. Following Raiffa's structure, Bazerman and Neale (1992) outlined a psychological understanding of negotiation designed to prescribe strategies that would help the negotiator increase the possibility that the parties would grow a "larger pie," while, at the same time, enable the negotiator to estimate how much to maximize the pie they wanted to obtain, based on concerns for fairness and the continuing relationship.

In addition to the above, further work was done based on using the behavioral decision research field as a source of ideas of how negotiators actually make decisions. Dawes (1998), Kahneman and Tverksy (1973, 1979) describe the systematic ways in which decision makers deviate from optimality or rationality. Individuals are presumed to attempt to act rationally, but are limited in their ability to achieve rationality (Simon 1957). This field has allowed researchers to predict how people will make decisions that are inconsistent, inefficient and based on normatively irrelevant information. However, documenting the biases that lead negotiators to deviate from optimally rational behavior should not allow us to reject the amazing achievements of which the human mind is capable (Pinker 1997). Humans are capable of solving extremely complex problems, but they are not perfect. The mistakes that human cognition make are what give insights into the functioning of the mind (Kahneman and Tversky 1982).

Much of the behavioral decision research argues that people rely on simplifying strategies or cognitive heuristics (Bazerman 1998). According to Kahneman and Tversky (1974), these heuristics lead to predictable mistakes, even though they typically are useful shortcuts. For example, heuristic rules are applied in the assessment of physical quantities such as distance or size. Many people determine the distance of an object by its clarity. The more sharply the object is seen the closer is determined to be. Even though this rule has some validity, the sole reliance on this rule can lead to mistakes because distances are often overestimated when visibility is poor because the contours of objects are blurred. On the other hand, distances can be underestimated when visibility is

very good and the object is seen sharply.   Therefore, the reliance on clarity for determining the distance of objects can lead to biases. Such biases can also be found in intuitive judgments.

Specifically, as Bazerman et al (2000) outlined, research on two-party negotiations reveals that negotiators tend to (a) be more concessionary to a positively framed specification of the negotiation than to a negatively framed negotiation; (b) be inappropriately affected by anchors in negotiation; (c) be inappropriately affected by readily available information; (d) be overconfident and overly optimistic about the likelihood of attaining outcomes that favor themselves; (e) falsely assume that the negotiation pie is fixed and miss opportunities for mutually beneficial trade-offs between the parties; (f) falsely assume that their preferences on issues are incompatible with those of their opponent; (g) escalate conflict even when a rational analysis would dictate a change in strategy; (h) ignore the perspective of other parties; and (i) reactively devalue any concession made by the opponent.

The abovementioned heuristics constitute biases that are used by negotiators during a negotiation process. Although these heuristics facilitate a relatively easy decision process for a negotiator, they also lead to errors of judgment which in turn affect the negotiations outcome (Kahneman & Tversky 1974).

The behavioral decision theory approach largely reshaped the research on negotiation in the 1980s and 1990s. Behavioral research emphasized how actual decisions were different from what would be predicted by normative models. Its goal was to provide useful information that could lead negotiators to abort the bias.

Many scholars criticized the behavioral decision perspective for ignoring too many factors that were obviously important in negotiation (Greenhalgh and Chapman 1995) even though it had a profound influence on the study and practice of negotiation. Recent research introduces social psychological variables consistent with a behavioral decision research perspective. This research includes social factors argued to be missing from earlier research on decision making. These factors, as outlined by Bazerman et al (2000), are the social relationships in negotiation, the egocentrism in negotiation, the motivated illusions in negotiation, and the emotion in negotiation.

C.   SOCIAL RELATIONSHIPS IN NEGOTIATION

The importance of social relationships in negotiation has been noted many times throughout the field's history (Brown 1975, Walton and McKersie 1965). However, this topic reemerged in the 1990s (Greenhalgh and Chapman 1998, Valley et al 1995).

The cultural perspective is considered here because culture greatly influences the social context in negotiation. Although relationships, roles and group dynamics are factors that universally affect negotiations, it is the different cultural practices that give a different meaning to these aspects that ultimately creates different dynamics in negotiations across cultures. The study of relationships and negotiation can be divided into three basic levels: the individual, the dyad, and the network.

The first level includes studies of how social context influences judgment and preferences of individual negotiators. Loewenstein et al (1989) found that a disputant's reported preferences for monetary payoffs were greatly influenced by payoffs and relationships with their hypothetical counterparts.

The second level focuses on examining how social relationships within dyads can influence the negotiation process and its outcomes. Bazerman (1998) showed that certain behaviors that appear irrational from the individual perspective may be rational from the perspective of the dyad. For example, Valley (1998) demonstrated that negotiators who often appear irrational in individual decision making reach outcomes that outperform game theory models when they operate at the dyadic level. More specifically, Valley asserts that when negotiators communicate face-to-face, they tend to incorporate elements of honest information exchange, cooperation and trust into their negotiation strategy, thus allowing mutually beneficial agreements even when one party lacks relevant information.

The third level is concerned with the influence of relationships on the broader network of the actors. An example of this category is the role of relationships in choosing a negotiation partner. Researchers argue that people prefer to work with people they already know rather than seeking out new partners even at the cost of finding better fitting matches (Bazerman et al 2000).

Cultural differences in the structure of networks are likely to affect the parameters of negotiations. In cultures where relationships are characterized by relatively weak ties, the choice of a negotiation partner may be based on personal attributes such as personal reputation and benevolent intentions. Also, in these cultures, the trust for participation in social networks is based on a calculation of cost and benefits rather than on emotional or personal connections (Cai, 2001). On the other hand, cultures that are characterized by durable relations or a long-standing mutual relationship provide the assurance for trust, regardless of the personal attributes of the persons (Yamagishi & Yamagishi, 1994).

D. EGOCENTRISM IN NEGOTIATION

Many times negotiators tend to overweigh the views that favor themselves and consider their own opinions and interests as most important which results in questionable judgments (Babcock and Loewenstein 1997, Diekman et al 1997, Walster et al 1978). This motivational bias is called egocentrism. Thompson and Loewenstein (1992) found negotiators to be egocentric, and the more egocentric the parties were the more difficulty they had coming to an agreement. Furthermore, they found that the provision of more neutral information increased egocentrism and the participants who received additional neutral information had the tendency to make more extreme estimates of a fair outcome. Also, participants showed a self-serving recall bias, where they better remembered the facts that favored them. These egocentric biases have the potential to affect negotiations by making parties believe that it is fair for them to have more of the negotiated resource than an independent party would judge and by creating an overconfidence and overly positive self-evaluation (Thompson, Neale, Sinaceur, 2004).

Bazerman et al (2000) recorded a large amount of research that tries to explain the egocentric pattern of behavior and they report that they are most persuaded by the view of Messick and Sentis (1983), which hold that preferences are basic and immediate, but fairness judgments must be determined through a reflection process that is vulnerable to bias. Negotiators tend to interpret fairness in ways that favor themselves since ambiguity creates uncertainty about what a fair outcome would be (Messick and Sentis 1979). During experiments, manipulations initiated in order to reduce potential ambiguity resulted in reduced egocentrism. For example, according to Wade-Benzoni et al (1996), when negotiators occupy symmetric roles egocentrism is weaker than when their roles are

asymmetric. Furthermore, communication between the actors that enables them to establish a common ground of understanding of the situation also reduces egocentrism (Thompson and Loewenstein 1992, Wade-Benzoni et al 1996). By reducing egocentrism, negotiators may reduce ambiguity and uncertainty around what a fair outcome would be and stop interpreting fairness in ways that favor them (Messick and Sentis 1979). This may improve communication between the two parties and lead them to take more constructive positions which may result in enlargement of the pie of value to be divided (Babcock and Loewenstein 1997).

E.   MOTIVATED ILLUSIONS IN NEGOTIATION

Research has proved that people tend to view themselves, the world and the future in a more positive way than reality can maintain (Taylor 1989, Taylor and Brown 1988). People tend to have unrealistically positive self-evaluations (Brown 1986) and also, on desirable attributes, have the tendency to perceive themselves as being better than others (Gabriel et al 1994, Messick et al 1985, Svenson 1981). In the area of negotiations, Kramer et al (1993) studied expectations by second year graduate students of business administration from a graduate school of business. The research was ostensibly designed to assess the individual's attitudes, perceptions and beliefs about themselves and other members of the class. The research revealed that 68% of the students predicted that their bargaining outcomes would fall in the upper 25% of the class. Such overconfidence, when accompanied by egocentrism and vilification, has the potential to increase the consequences of conflict in negotiations by reducing integrative gains and delaying the achievement of an agreement (De Dreu et al, 1995).

According to Kramer (1994), the optimism of negotiators may be partly attributed to overestimation of their ability to control uncontrollable events. The research of Shafir & Tversky (1992) argue that negotiators in a prisoner's dilemma act as if their decision will control the simultaneous decision of the other party, even when that is logically impossible. In game theory, the prisoner's dilemma is a type of non-zero-sum game in which two players try to get rewards from the police by cooperating with or betraying the other player. In this game, as in many negotiation situations, it is assumed that the primary concern of each individual player is to try and maximize his own advantage, with less concern for the well-being of the other players. The research states that one reason

parties cooperate in one-shot prisoner dilemma games is the illusion that their own cooperation will create cooperation in the other party.

Further research has found evidence of the social costs of positive illusions. Unsuccessful negotiators have the tendency to denigrate their more successful counterparts by attributing their success to uncooperative and unethical bargaining tactics (Kramer 1994). De Dreu et al (1995) argue that when positive illusions are accompanied by egocentrism and vilification of opponents, they are likely to increase the costs of conflict by restraining integrative gains and delaying agreement.

F.   EMOTION AND NEGOTIATION

Emotions can play an important role in negotiation. Positive moods increase the negotiators' tendencies to select a cooperative approach (Forgas 1998) and enhance their ability to find integrative gains (Carnevale & Isen 1986). Negotiators with negative moods are less accurate in judging the interests of opponent negotiators and achieve lower mutual gains (Allfred et al 1997). Also, angry negotiators are more self-centered in their preferences (Loewenstein et al 1989) and increase the likelihood that they will reject profitable offers in challenging negotiations (Pillutla & Murnigham 1996).

In the above experiments, it was observed that fairly mild manipulations created moderately strong effects. On the other hand, the nature of manipulation in the lab environment can be qualitatively different than the "hot" emotions that people experience in a real situation and lead people to find the role of emotion in negotiation so compelling (Javis 1982). The hotter emotions result in strong internal conflicts in people and tell us that emotions are important in negotiation. Hot emotions usually create a divide between what people think they should do (cognitive) and what they want to do (emotional) (Bazerman et al 1998). According to O'Connor et al (1998), this conflict leads to self-destructive choices.

However, some researchers see a functional role for emotions (Morris and Keltner 2000), while some others have pointed to the potential strategic use of emotions (Thompson et al 1999).

Morris and Keltner (2000) state that the functional role of emotions is illuminated when behavior that is emotion related helps the individual to respond to the problem in an

interaction. They developed a four-stage model that explores how relational problems generate particular emotions, which in turn give rise to interaction behaviors. During the first stage - initial moves - negotiators face the problem of initiation, which is solved by openness and interest. In the second stage - the positioning stage - negotiators face the problem of influence which is accompanied by the emotions of anger and contempt. In the third stage, which is the problem solving stage, the negotiators face the problem of trust. This stage is accompanied by embarrassment and empathy. Finally, during the last stage, which is the end of the negotiation process, negotiators face the problem of binding which is accompanied by pain and frustration.

Thompson et al (1999) in their analysis propose a potential strategic use of emotions in negotiations through "emotional contagion" and "emotional tuning." Emotional contagion occurs through mimicry (imitation of another's facial expressions and emotions) or through understanding the emotion of others. Emotional tuning refers to a strategy where negotiators engage in a process where they construct messages designed to control or regulate the other party's emotional responses.

G.   SUMMARY OF SOCIAL PRINCIPLES UNDERLYING NEGOTIATION PROCESSES

In this section a selective overview of the development of the psychological study of negotiation was provided. Specifically, the behavioral decision perspective was explored and the importance of social factors in negotiations, including social relationships, egocentrism, motivated illusions and emotion was discussed. This research has not only greatly expanded the knowledge and understanding about the psychology of negotiation but it has also created important insights into training managers and others on how to manage and negotiate conflict.

In the next section, the purpose is to place negotiation theory and research in a cultural context. In today's global marketplace, cultural differences in negotiation are of increased importance as a result of the growing interrelationships among nations. Research on cross-cultural differences in negotiation behavior will be reviewed and how these affect and are affected by the parties' conceptions of negotiation will be examined. Also, negotiating across cultural boundaries will be discussed and some techniques for doing so successfully will be offered up.

III.   THE CULTURAL ASPECTS OF INTERNATIONAL NEGOTIATIONS

A.   INTRODUCTION

In today's world, the technological advancements have diminished distances, brought people considerably closer to each other, and increased the opportunities for communicating and interacting. The fall of the Berlin Wall and the development of third world countries triggered the multiplication of foreign investments and boosted the commerce exchanges, which enabled the world economy to achieve a higher degree of integration (Faure, 1999). Concerns about the common fate of the planet such as environmental pollution, scarce resource management, and war threats also contribute to bringing people from different countries closer for discussing the related issues. As a consequence of the above movements, the opportunities for negotiations have dramatically increased, and that means that more and more people with diverse cultural backgrounds will meet around the negotiation table, which provides conditions for cultural encounters.

B.   CULTURE AND NEGOTIATION DEFINED

At this point, for the purpose of this study, it is necessary to clarify what is meant by the terms "culture" and "negotiation."

1.   Culture

Culture is the part of human life which is learned by people as the result of belonging to a particular group and includes all learned behavior and values that are transmitted through shared experience to an individual living within a society. According to anthropologist Edward Hall (1990, page 183), "Culture is a technical term used by anthropologists to refer to a system for creating, sending, storing, and processing information developed by human beings, which differentiates them from other life forms." Despite many differences in its detail, anthropologists do agree that culture must have the following three characteristics (Hall, 1977):

a.   *It is not innate, but learned* - that is, people over time transmit the culture of their group from generation to generation.

b. *The various facets of culture are interrelated* - that is, one part of culture is deeply related with another part, such as business with social status.

c. *It is shared and it defines the boundaries of different groups* - that is, the tenets of the culture are accepted by most members of the group.

Another important characteristic of culture is that it continues to evolve through constant refinement and adaptation, responding to new needs and influence of outside forces. Consequently, culture does not remain the same, but slowly, over time, changes.

2. Negotiation

Acuff (1992, page 21) describes negotiation as follows:

> Negotiation is the process of communicating back and forth for the purpose of reaching a joint agreement about differing needs or ideas. Negotiation has to do with persuasion rather than the use of crude power with the other side feeling good about the outcome of the negotiation. As such negotiation is a collection of behaviors that involves communications, sales, marketing, psychology, sociology, assertiveness, and conflict resolution. Above all, it has to do with the clear understanding of our own motivations and those of the other side as we try to persuade them to do what we want them to do.

In a negotiation process, two parties exchange their own viewpoints and develop their objectives in an attempt to achieve a mutually satisfactory result on a matter of common concern. The mutual satisfactory result of a negotiation is vital, because even though the parties may have opposing interests they are dependent on each other, and they must be willing to live with the negotiation outcome.

To obtain an agreement, the negotiating parties must sacrifice something in order to get something in return. The negotiated agreement is characterized as beneficial as long as the anticipated benefit is greater than the sacrifice.

While negotiation is mostly conceptualized as a process of mutual sacrifice, it should also be considered as a process of exploring ways whereby the negotiating parties will have their interests optimized under the given circumstances. That means that negotiations should not be viewed as a process of how to split the pie but rather as a process of finding ways to enlarge the pie for all concerned by trying to find optimal solutions.

C. THE EFFECT OF CULTURE ON NEGOTIATION

The negotiation process can be affected by the cultural differences of the participants in significant and unexpected ways. The reason is that culture is nonnegotiable and people do not change their culture regardless of the importance of reaching agreement (Cellich and Jain, 2004). Listed below are the major effects of culture on negotiations across borders (Lewicki, Saunders, and Minton, 1997, pp, 242-246).

1. Definition of Negotiation

Different cultures interpret in different ways the concept of negotiation. For example, in the United States, people tend to view negotiation as a competitive process of offers and counteroffers until an agreement is reached. On the other hand, in Japan, negotiation is viewed as a process of information sharing and relationship building that may lead to an agreement. When negotiators are from diverse cultures, they often rely on quite different assumptions about social interactions, economic interests, legal frameworks and political realities. These different viewpoints may influence negotiating processes and their outcomes, and therefore culturally sensitive negotiating skills are necessary for managing in international settings.

2. Selection of Negotiators

The criteria used for the selection of the participants in negotiations vary from culture to culture. These criteria can include the knowledge of the subject under negotiation, seniority, family connections, gender, age, experience and status. Different cultures assign a different weight to these criteria in the selection of negotiators. In the United States, for example, knowledge of the subject matter, experience and status count the most. On the other hand, in the Middle East, more weight is given to family connection, gender and status.

3. Protocol

Protocol is the degree of formality of the relations between the two negotiating parties. Culture affects the degree of formality used by the parties in the negotiation. In the United States, the society is not formal and a communication style that is characterized by using first names, ignoring titles and creating a familiar environment is quite common. On the other hand, Europeans are highly title conscious.

In Southeast Asia, the presentation of business cards in a proper manner at the beginning of the first meeting is a normal protocol procedure and can be the foundation of attributes about a person's background and personality. In the United States, business cards may or may not be exchanged, and there is no cultural standard of presenting the cards. Generally, the degree of formality affects the negotiation process because it communicates the interest and the intentions of the negotiating parties as well as the importance of the negotiation outcome.

4. Communication

Culture plays a significant role in the way people communicate, both verbally and nonverbally. Language as part of culture is not limited to spoken words but extends to the symbolic communication of time, space, things, friendship and agreements. Nonverbal communication consists of gestures, expressions and other body movements.

The many different languages of the world can not be translated exactly from one to another, and understanding the symbolisms behind each expression is even more difficult to achieve. Even meanings can differ within the same language used in different countries. The English language differs so significantly from one English-speaking country to another that frequently the same word or phrase means something entirely different in another.

A situation of nonverbal communication language is body language. There are also many differences in body language across cultures. A certain type of body movement can be highly insulting in one culture and completely inoffensive in another. For example, one should never show the sole of his or her shoe to an Arab, for it is dirty and represents the bottom of one's body. Also, in Muslim culture one should never use his or her left hand because it is reserved for physical hygiene. If someone touches the side of his or her nose in Italy, it is a sign of distrust, and one should look directly into a French counterpart's eye when making an important point. However, direct eye contact should be avoided in Southeast Asia until a relationship is firmly established (Cellich and Jain, 2004).

International negotiators, in order to avoid unpleasant situations such as insulting, embarrassing or angering the other party, must gather information about the other party's communication culture and acquaint themselves with it.

5. Time

Another way that culture can influence negotiations is time. The definition of time and how it affects negotiations varies across cultures. In the United States, people place a high value on time and this is shown by appearing for meetings on time and being sensitive to not wasting the time of others. People in the U.S. like to begin meetings on time, schedule the daily discussions following an agenda from hour to hour, and reach an outcome by meeting the deadline.

On the other hand, in some other cultures such as China and Latin America, the focus is on the task, regardless of the amount it takes to accomplish it. In these cultures time by itself is not important. As a result of the different definition that each culture attributes to time, Americans may be perceived as always being in a hurry and as jumping from one subject to the other and the Chinese, on the other hand, may appear to the Americans as doing nothing and wasting their time.

6. Risk Propensity

Culture also has a significant effect on the extent to which people are willing to take risks. In cultures where risk propensity is high, negotiators take initiatives and arrange agreements even if certain information is lacking as long as the business opportunity looks attractive. These cultures encourage negotiators to be more entrepreneurial, more active and more risk taking when they have incomplete information yet their business intuition tells them that the deal is good.

On the other hand, risk-averse cultures are more cautious and demand additional information in order to carefully examine all aspects of a particular deal before they decide on an agreement. These cultures produce quite bureaucratic, conservative decision makers who need a great deal of information before they make a decision. Americans tend to be risk-prone and Asians may be even more risk-oriented while some European cultures, such as the Greek, are conservative (Lewicki, Saunders, and Minton, 1997).

In general, the attitude of a culture towards risk will have a great effect on the negotiation process and on the content of the negotiated outcome. Risk-oriented cultures will be willing to take chances and move earlier to an agreement, whereas risk-avoiding cultures will tend to scrutinize the negotiation issues and take a wait-and-see approach.

7.   Groups Versus Individuals

Another aspect where cultures differ is according to whether they emphasize the individual or the group. In group-oriented cultures, the negotiation process is longer and is more difficult to reach an agreement since group consensus must first be built. In individual-oriented cultures, being independent and assertive is praised and individuals can make decisions without getting approval from the group.

In the United States, the society is individual-oriented and it is most likely that Americans will have one person who is responsible for the final decision. On the other hand, in a group-oriented culture such as the Chinese, it is more likely to have a group responsible for the decision. In addition, a negotiator should be aware that if he or she gets involved in the negotiations in a group-oriented culture because the participation of his or her opponents might be sequential rather than simultaneous, he or she may be faced with a series of discussions over the same issues with different people. For example, in a negotiation in China, a U.S. negotiator had to meet with more than six people on successive days, going over the same subjects until the agreement was reached.

8.   Nature of Agreement

Culture also affects both the nature of the agreement and the form the negotiated agreement takes. In the United States emphasis is given on logic, formality and legality, meaning that the low-cost contractor will get the deal, the agreement will be in a formal document format, and in case that its terms and conditions are not honored it will be enforced through the legal system. When the above requirements are met, the agreement is considered satisfactory.

On the other hand, in other cultures, obtaining a deal depends on the status of one's family or political connections, even if some terms of the agreement are weak. Also, agreements do not have the same meaning in all cultures. For example, many times the Chinese use agreement memorandums to signal the beginning of a relationship and the start of negotiations. An American would interpret the same memorandum as the

completion of the negotiations that is legally enforceable. Thus, cultural differences in defining the term agreement and how to process a negotiation procedure can lead to misunderstandings and mistakes in cross-border negotiations.

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IV. A DEEPER UNDERSTANDING OF CULTURAL CHARACTERISTICS

Next, two frameworks will be presented that will assist in the attainment of a deeper understanding of national cultures. These are Hall's (1973) framework and Hofstede's (1980) cultural dimensions. Each of the two models, rather than attempting to provide an exact description of all individuals within a culture, presents general descriptions of cultural value systems. In spite of their generality, the two models are useful in facilitating the understanding of how national culture influences negotiation behavior.

A.   HALL'S FRAMEWORK

According to Hall's (1973) model, the following aspects drive surface behavior, and their comprehension can be of great help in seeking the cultural understanding of a group.

1.   The Essence of the Relationship

Is the culture deal-focused or relationship-focused? In deal-focused cultures, relationships develop out of deals. On the other hand, in deal-focused cultures, deals are the result of an already developed relationship.

2.   The Type of Communication

One model used to differentiate communication styles within cultures is Hall's high and low context framework. In this model context refers to the environment and the information that facilitates the background for interaction and communication. High or low context refers to the amount of information that is given in communication. These aspects of information include the rate at which one talks, the tone of the voice, the fluency, and expressional patterns. Nonverbal aspects include eye contact, facial expression, hand gestures, and body movement.

People who belong in high context cultures rely heavily on contextual, nonverbal cues, and situational factors to communicate with others, and they understand the world around them. Conversely, people who belong in low context cultures focus on explicit, specific verbal and written messages to understand other people and specific situations.

The difference between high and low context cultures can explain many cross-cultural communication problems that negotiators face around the world. For instance, the low context North American negotiators may get frustrated with the lack of preciseness of their Asian counterparts. Also, while negotiators from low context cultures focus on specific contracts and agreements, those from high context cultures aim at developing relationships. The directness of a low context culture negotiator may be interpreted as rudeness by his or her high context counterpart and make him or her feel offended.

Low context cultures include the Anglo-American countries, as well as the Germanic and Scandinavian countries. Examples of high context cultures can be found in East Asia (Japan, China, Korea) and in South Europe (Spain, France, Italy, Greece).

Even though the high-low context model is simple, it can help one understand the national culture and its effect on negotiation style and behavior.

3. The Essence of Time

In the United States, people prefer to do one thing at a time, be punctual, and keep up with schedules. Hall has termed this attitude "monochronic." Not everybody in the United States wants to conform to monochronic norms. Nevertheless, there are several social pressures that keep most Americans within the monochromic framework.

The "monochronic" attitude contrasts with another orientation that Hall names as "polychronic." In cultures with polychronic orientation, time is more fluid, deadlines are more flexible, interruptions are common, and interpersonal relationships are more important than keeping up with schedules. For example, in contrast to the Western preference for time efficient deal making, Chinese managers are less concerned with time. The confrontation of these two different cultural approaches to time utilization can create stress and great difficulty in a negotiation process.

4. The Essence of Space

Space and its handling also differ from culture to culture. In some cultures people prefer a lot of personal space, whereas in some other cultures people feel more comfortable with less. In countries with formal cultures, moving too close to a person can create extreme discomfort. The difference in the perception of space among cultures

can generate many misunderstandings. For example, a German negotiator who instinctively pulls back from his/her up-close Latin American counterpart may unintentionally convey disdain.

5. Summary of Key Points from Hall

Hall identified four aspects that drive surface behavior and their understanding can be of great help in seeking the cultural understanding of a group. The four aspects are:

a. *Relationship* - Do relationships arise out of deals or deals arise out of relationships?

b. *Communication* - Are contextual, non-verbal cues important in negotiations, or is there little reliance on contextual cues? Do communications require detailed or concise information?

c. *Time* - Are deadlines more flexible, or punctuality and schedules strictly followed?

d. *Space* - Do people feel more comfortable having a lot of personal space or they feel as comfortable with less?

B. HOFSTEDE'S CULTURAL DIMENSIONS

Researcher Geer Hofstede conducted a cross-cultural study that included more than 116,000 questionnaires in 40 countries. The study revealed that the way country cultures differ vary along four dimensions. The dimensions were labeled power distance, uncertainty avoidance, individualism, and masculinity. The interpretation of the cultural differences demonstrated in Hofstede's (1980) study is very important for negotiators who work for international and multinational organizations and are confronted daily with the challenge of interacting with counterparts who carry different cultural influences.

1. Power Distance

Power distance is the extent to which the population of a country accepts an unequal distribution of power. In some countries the power is concentrated in the hands of a few people of the upper class who make all the decisions. The people who belong in the other end of the social spectrum simply carry out these decisions. These societies are associated high power distance levels.

In contrast, in other countries power is more widely dispersed and the relationship among the members of the society is more egalitarian. These cultures are named as low power distance cultures. The lower the level of power distance the more individuals are expected to participate in the decision making process.

For example, the United States and Canada display a middle-level power distance rating, but in countries such as Austria and Denmark, the power distance level is much lower. This means in these countries, leaders are more likely to encourage their subordinates to participate in the decision process. The third-world countries provide an extreme opposite example. In these countries the employees have very limited participation in the decisions made by organizational leaders.

With regard to negotiations, the understanding of the power distance concept can help realize whether or not power disparity is accepted and whether or not organizations are run from the top down or the power is more horizontally distributed.

2.   Uncertainty Avoidance

Uncertainty avoidance is the second dimension of the national culture and refers to the extent to which the culture tolerates ambiguity and uncertainty. More specifically, uncertainty avoidance measures the degree to which people within a culture feel anxiety by situations they consider to be unstructured, uncertain, or unpredictable, and the extent to which they try to defend themselves from such circumstances by adopting strict rules of behavior and a belief in absolute truths.

At the organizational level, everything not under the direct control of the organization is a source of uncertainty for which the organization tries to compensate. The factors that are related to organizational uncertainty avoidance are rituals, rules, and regulations and employment stability.

Managers in low uncertainty avoidance cultures abstain from creating bureaucratic structures to help them deal with the uncertainty associated with upcoming events. They believe that the adaptation of bureaucratic processes will restrict them from responding promptly to upcoming events.

To the contrary, for managers in high avoidance cultures, where people experience anxiety in dealing with upcoming events, various measures are taken to cope

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with the impact of uncertainty. In these high uncertainty avoidance cultures, managers will engage in activities such as long-term planning, memos and reports containing no information that someone will act upon but which are a device to stop things running for a moment, a use of the accounting system as an instrument to absorb uncertainty.

Nevertheless, the rules and rituals adopted by an organization to cope with uncertainty do not make the future more predictable, but they do help relieve some of the anxiety of the members of the organization by creating a pseudo-certainty which keeps the organization functioning (Hofstede, 1984).

Examples of low uncertainty avoidance countries are the United States and Canada, which means that they possess a high ability to be more responsive to future changes. On the other hand, Belgium, Greece, Portugal and Japan are high uncertainty avoidance countries which indicate that these societies desire to meet future changes and challenges in a more structured and organized way.

In the cross-cultural negotiations environment, which is volatile and changes that require prompt response occur quite often, it is important to know how counterparts can deal with uncertainty and unstructured situations, practices and agreements.

3. Individualism

Individualism is the third dimension of national culture. It indicates the degree to which people in a given society prefer to act as individuals rather than members of a cohesive group. In individualistic societies people are self-centered and they feel little need for dependency on others. Also, they are more concerned about the achievement of their personal goals over the society's goals.

In the organizational setting, the norm which prevails among the members of a given society in regards to the degree of individualism versus collectivism, will strongly affect the nature of their behavior in the organization to which they belong. Managers in organizations who belong in individualistic societies are competitive by nature and not very loyal to the organizations for which they work.

On the other hand, people in collectivistic societies have a different mentality. They lessen the accomplishment of their individual goals in order to work towards the organizational goals. They are interdependent on each other and have a greater emotional

dependence on their organizations. In return, they expect their organization to assume a broader responsibility for them.   Organizational managers in collectivistic societies display a high loyalty to their organizations and support joint decision making.

Great Britain, Australia, Canada and the United States are highly individualistic societies, indicating that the managerial concept of leadership in these countries is closely connected with the ultimate self-interest of the managers. On the other hand countries such as Japan, Brazil, Colombia, Chile and Venezuela display very low individualistic ratings.

Regarding negotiations, the international negotiator should determine whether the culture of his or her counterparts emphasizes individualism or collectivism in order to plan his/her approach.

### 4.	Masculinity

The fourth dimension along which national cultures can differ significantly is named masculinity. Masculinity refers to the extent to which "masculine" values such as assertiveness, performance, success and competition prevail over the so-called "feminine" values of quality of life, friendly atmosphere, position security, physical conditions, care for the weak, and solidarity.

Countries with masculine cultures, such as Japan, Austria, Venezuela and Italy, display different roles for men and women and focus on independence, ambition and material goods.   In contrast, countries with low masculine ratings, such as Sweden, Norway, Denmark and the Netherlands, focus on quality of life and warm relationships over materialistic goods.

In international negotiations, it is important for the negotiator to know if the culture of his/her counterparts emphasizes assertiveness or interpersonal harmony.

### 5.	Summary of Key Points from Hofstede

Hofstede identified four dimensions in which people in different countries perceive and understand the world. The four dimensions are:

a.	*Power distance or distribution of power* - Power distance refers to the degree of inequality among people that the population of a country considers acceptable.

b.   *Uncertainty avoidance* - Uncertainty avoidance refers to the extent to which people in a country prefer structured and planned situations over unstructured and uncertain situations.

c.   *Individualism versus collectivism* - Are people self-centered and feel little need for dependency on others, or do they have a group mentality and prefer to work towards the group's goals?

d.   *Masculinity* - Do values such as assertiveness, performance and competition prevail over values such as quality of life, solidarity and warm personal relationships?

Global negotiators can use either of the two models outlined in this section to navigate across diverse boundaries and better understand their opponents in order to achieve lasting agreements in a constantly changing environment.

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V.   METHODOLOGY

The methodology that was used to complete this thesis was literature review and in-person interviews.

The literature review consisted of four major parts. In the first part, a selective overview of the growth of the psychological study of negotiation was provided. In this part the behavioral decision perspective was explored and the significance of social factors in negotiations, such as social relationships, egocentrism, motivated illusions and emotion was focused on. In the second part, the role of culture in cross-border negotiations was focused on. More specifically, major effects of culture in international negotiations were described, such as the definition of negotiations, selection of negotiators, protocol, communication, time, risk propensity group versus individual decision making and nature of the agreement. In the third part, two frameworks were suggested for a deeper cultural understanding, namely one by Edward Hall and the other by Geer Hofstede. Global negotiators can use either of the two models outlined to navigate across diverse boundaries and better understand his/her opponents in order to achieve lasting agreements in a constantly changing environment.

The in-person interviews that we conducted for the purpose of the study were semi-structured interviews with probing to elicit stories. Five subjects participated in the study through convenience selection. The subjects are members of the Acquisition and Contracting faculty of the Naval Postgraduate School (NPS) and known international negotiators of the Hellenic Air Force (HAF). The criteria for their selection were the easy access and availability as well as their large contract negotiation experience in the international setting.

A.   SUBJECTS

A total of five male expert negotiators participated in the study. The selection of the subjects was based on their academic background and their contract negotiation experience in the international setting. In the section that follows, a brief professional profile of each person is provided.

Lt. Colonel Spiros Tziakis holds a B.S. in Electrical Engineering and a M.S. in Information Systems Engineering. He entered the Hellenic Air Force Service in 1982. Since his commission, he has served in many positions related to acquisitions and contracting of aviation equipment. He has strong international contract negotiation experience, mainly with European and American companies. His current assignment is at the Hellenic Air Force Support Command.

Commander (Ret) Cory Yoder holds a B.S. in Business Management, a M.S. in Management and a M.A in National Security and Strategic Studies. He entered the United States Naval Service in 1984. Since his commission, he has performed in numerous assignments in the United States and overseas related to acquisitions and contracting. He has strong international acquisition and contracting experience, combined with several challenging acquisition, logistics, industrial, headquarter, and combat support operations assignments. He has published several articles on acquisition and contracting and is currently a faculty member of the Naval Postgraduate School's Graduate School of Business and Public Policy (GSBPP).

Lt. Colonel Sotiris Nasioudis holds a B.S. in Engineering and an M.S. in Electrical Engineering. He entered the Hellenic Air Force Service in 1982. Since his commission, he has served in many positions related to acquisitions and contracting of avionics equipment. He has strong international contract negotiation experience, mainly with European and American companies. His current assignment is the General Directorate of Armaments of the Hellenic Ministry of Defense.

Major George Gavrielides holds a B.S. in Economics and an M.B.A in Financial Management. He entered the Hellenic Air Force Service in 1986. Since his commission, he has served in many positions related to acquisitions and contracting. He has a strong international contract negotiation experience mainly with European and American companies. His current assignment is at the Directorate of Armaments of the Hellenic Air Force General Staff.

Colonel (Ret) Marshall Engelbeck holds a B.S. in General Business and a M.S. in Logistics Management. During his military service he has performed in numerous assignments related to acquisitions, logistics and contracting in the United States,

Taiwan, Vietnam and Saudi Arabia. After his retirement from the Air Force, he spent ten years as a Senior Contracts and Proposal Manager with the Defense Communications Division of Rockwell-Collins in Richardson, Texas. During this time, he also taught Management of Government Contracts and Strategic Contracting at the Graduate School of Management, University of Dallas in Irving, Texas. He has published several articles on acquisition and contract management and is currently a faculty member of the Naval Postgraduate School's Graduate School of Business and Public Policy (GSBPP).

B.   QUESTION LIST

For the purpose of the research, a survey was constructed. The survey consisted of a written question list (see Appendix A) and an interview with each expert negotiator, and its purpose was to obtain information that would help to identify those aspects of group interactions that affect international contract negotiations. The question list was comprised of open-ended questions that were developed from the theory in relevant literature review about contract negotiations and from conducting exploratory discussions with experienced negotiators. The length of each interview was more than one hour; each interview was recorded on an audio tape and later transcribed into text.

C.   ANALYSIS

The analysis of the interviews was performed in three steps. First, a summary of each question asked was reported. Then, a search was conducted for identifying relevant evidence on the topics discussed in the literature review. Lastly, findings were reported and propositions were made.

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VI.   RESULTS

The purpose of this chapter is to present the results of the contract negotiations survey and to identify those elements that can help international contract negotiators reach desirable outcomes and establish long-term relationships.

Table 1 summarizes the demographic information compiled from the survey.

SUBJECT OF NEGOTIATION	INDUSTRY	SIZE OF THE CORE NEGOTIATION TEAM		NEGOTIATION PLACE	INTERVIEWEE'S DISCIPLINE AND NATIONALITY	TEAM MEMBERS KNOWN TO EACH OTHER
		BUYER'S TEAM	SELLER'S TEAM			
Settlement of a dispute in an existing contract	Military Equipment	5 persons of Greek nationality	5 persons of German nationality	Customer's Premises	Engineering expert, Greek nationality	Yes
Contract for engineering & logistics support	Construction & Logistics	3 persons of American nationality	1 person of Greek nationality	Neutral place	Lead negotiator, American nationality	No
Contract for the procurement of training equipment for aviators	Military Aviation	6 persons of Greek nationality	3 Frenchmen who were reinforced with specialists depending on the daily agenda	Customer's Premises	Engineering expert, Greek nationality	No
Contract for the procurement of helicopters	Aviation	7 persons of Greek nationality	1 Frenchman (lead negotiator) who was reinforced with specialists (French and German) depending on the daily agenda	Customer's Premises	Financial expert, Greek nationality	No
Contract for the construction of three airfields and maintenance facilities	Governmental Agency	1 Saudi who was reinforced with specialists depending on the daily agenda.	1 American who was reinforced with specialists depending on the daily agenda.	Customer's Premises	Logistics expert, American nationality	No

Table 1.   Demographics of Negotiation Teams

A. PURPOSE OF NEGOTIATION

The cases that the subjects chose to talk about concerned negotiation for the formation of contracts that involved the procurement of defense-related equipment or the construction of defense facilities. More specifically, as is seen in the Table 1, two of the negotiations involved the acquisition of helicopters and aviation training equipment, one negotiation involved the settlement of a dispute over the purchase of military aviation equipment, the next negotiation case involved the procurement of engineering and logistics support, and the last one involved the construction of airfields and relevant maintenance facilities. It is important to note that all subjects stated that the purpose was to achieve a "mutually accepted" agreement which indicates the buying team's stated willingness to search for a common ground.

B. INDUSTRY

The industries represented in the survey were mainly from the aviation and military avionics sector. However, there is a company active in engineering and logistics support. All the subjects who participated in the study belonged to buying teams in governmental agencies or a branch of the Armed Forces.

C. GROUP CHARACTERISTICS

1. Size

The negotiation teams can be divided in two major categories. There were teams organized in a permanent and specific manner and ones with a more flexible structure. The teams with the permanent and specific organization had between three and seven persons in their composition throughout the whole negotiation process. On the other hand, the teams with flexible composition usually had a core of one or two persons who were reinforced by additional experts depending on the progress of the negotiations. It was noted that the teams representing the interests of private enterprises mainly had flexible composition. The lead negotiator was calling his experts on the days he considered that they would contribute to the discussions. This is attributed to the organizational practices which place a premium on the efficient utilization of human resources. In contrast, the government teams had a fixed composition because they had an additional duty. Along with their negotiation duties based on their professional

expertise, they also served as members of a jury responsible for protecting the interests of the government. For example, a government negotiator who participated in the study stated:

> I was responsible for engineering issues relative to the negotiation subject. My duties were not restricted because the group of the customer is not obliged to decide as one entity but everybody has the right to comment, express his opinion or disagree on everything. The different position in respect to the majority has to be clearly documented.

Thus it appears that buying teams were more likely to have fixed membership because each of the team members needed to hear the information provided by the seller's team members and visiting experts.

2. Duties of Team Members

One of the subjects participated in the negotiation process as the lead negotiator of his team. The other subjects participated as engineering, logistics and financial experts. The selection of the negotiation team members was based on the negotiation subject and the respective professional expertise needed.

3. Prenegotiation Relationship of the Team Members

The negotiation team members in all cases but one did not know each other from previous interactions. As it was stated by the participants in the study, it took some time for the development of trust and cohesion among the group members. Specifically, one interviewer said that "….our group was composed of people with different professional backgrounds and we had never met before. Effective negotiating requires trust and cohesion among group members and that took us some time to develop."

D. THE GROUP GOALS

In almost all cases examined for the purpose of this study, the negotiators believed that a win-win solution was possible and therefore their group goal was to achieve a mutually beneficial outcome. As one participant stated, his group's goal was to "reach an agreement from which both parties would benefit." However, in one instance an American negotiator was confronted with competitive behavior of his Saudi counterpart. He described Saudi's culture as very aggressive and believed that the goals of the parties were irreconcilable, as he stated: "They believed that the pie is fixed and they wanted more than half of what was available."

E.   **THE NEGOTIATION PLACE**

In all instances, with one exception, the participants in the study reported that the negotiations took place at the customer's installations. In one instance, the negotiations took place in a neutral establishment. Each of the choices for holding the negotiations (customer's place, seller's place or neutral place) has certain advantages and disadvantages. When a team negotiates at its place, it has the advantage of familiarity with the negotiating environment. The risk of running a culture shock lies upon its opponents. Another advantage is that it has easy access to its own experts for needed advice and to superiors in the organization for special authorization and consultation. The aforementioned examples become disadvantages when a team negotiates at its counterpart's place. However, according to the participant's statements, it seems to be common practice for negotiations to be held at the customer's installations because by going to the other party's territory the seller shows a seriousness of intent and a strong desire to achieve an agreement.

F.   **THE GENERAL CIRCUMSTANCES**

In most cases as reported by the participants, the seller had won a pre-award letter of intent after an international bid. Following this, correspondence was exchanged between the customer and the contractor for arranging the details for starting the negotiations for the formation of a mutually accepted contract that would lead to the final award of the procurement. The fact that the companies had already won a letter of intent by the government gave them relative bargaining power at the negotiation table. However, this advantage could be counterbalanced by the government negotiators by requesting precise justification of the cost and pricing data and by being strict on evaluating the technical requirements and specifications of the equipment under procurement. As a participant stated, "the fact that the procurement was already awarded to that company gave more leverage to our negotiation counterparts. However, we could counterbalance that by focusing on cost, pricing and equipment specification issues."

In their first meeting, the two parties usually discussed administrative issues related to how the negotiations should proceed and what the agenda should be. It is important to note that the suppliers had already prepared draft contracts and attempted to negotiate them with their government counterparts. However, the government

negotiators were equally prepared and presented on the table their version of a draft contract and insisted that the negotiations should be based on it. The company negotiators were surprised by the reaction of the government team, but they quickly consented to work from the government's counterproposal. One government buyer described the situation as follows:

> Our counterparts presented the old contract they had signed with the government a few years back, proposing to make change to it to fit the current circumstances. It came as a great surprise to them when their proposition was totally rejected. Instead we presented them a totally different draft contract that was suited to the specificities and the needs and requirements of the Department of Defense, requesting that we should work on that contract. It was explained to them that the procurement laws and regulations as well as the needs and requirements are completely different than the ones of a civilian governmental agency. After presenting our arguments they gave their concession and we continued using our draft contract.

In most cases the atmosphere during the negotiations was good and everybody behaved politely, honestly, and with a professional manner. Of course, there were instances of tension, however they were handled professionally. The negotiator who participated in the negotiation with the Saudis reported an environment of continuous and intense disputes due to the opponent's aggressiveness and their "fixed pie" perception of the negotiation process.

G.   TIME

In most cases there was a specific time limit given to the negotiators for accomplishing their task. The time limit given usually was between two weeks and two months. However, in many instances the time limit was not respected. This was quite a frequent phenomenon when the negotiations involved the acquisition of high-value equipment. The reason for this is that during the negotiation process there was a phase that consisted of proposals and counterproposals over different crucial issues. Here, the creativity of the negotiators came into play as they were seeking to define their interests and shape a concept acceptable from the other side which would benefit both of them. Another reason is that in some instances the lead negotiators had limited authority for decision making and they had to consult and get approval for their actions from an executive in a higher position in the hierarchy of the organization. For instance, one

participant who was representing the interests of the government described a procurement case in which the person who had the authority to make a commitment was the Minister of Defense. The reason was the high monetary value of the contract. After the draft contract was agreed upon and signed from the two negotiating teams, it was forwarded through the Ministry's bureaucratic channels to the Supreme Procurement Board of the Ministry of Defense. After the Procurement Board examined all the aspects of the contract, the Board submitted its proposal and the contract to the minister of defense who had the authority to issue the decision and sign the contract. It is understood that this type of organizational decision making process requires more time to finalize an agreement, and the other party should be prepared for the time it might take.

H.   FACTORS THAT AFFECTED THE PROCESS AND THE OUTCOME

The participants in the study reported several factors that, according to their experience, can affect the negotiation process and its outcome. In the following paragraphs the factors that the participants consider as most important are discussed.

A negotiation team should conduct extensive preparatory meetings during which they:

- Determine the information they need to get.
- Anticipate the other side's proposals and positions.
- Identify their own and the other side's underlying interests.
- Decide on the lowest limit they can accept as a trade-off agreement.

Another factor reported that affects the negotiation process is how the two sides view the negotiation process. For many cultures, negotiation is a process to arrive at a signed contract with a set of rights and duties that binds the two parties. Examples include the German and British culture (Salacuse, 1991). Conversely, there are certain other cultural groups that consider the goal of negotiation is not a signed contract but a relationship between the two parties. Examples include the Japanese, Chinese and Arab cultures (Salacuse, 1991). For an American, signing the contract is often his or her main concern. On the other hand, for his/her Saudi counterpart the issue of relationship building is critical. However, according to my experience, even though the American culture is considered to be a "deal-oriented" culture, the American negotiator is affected

by the culture of the organization that he or she represents. Private enterprise negotiators are oriented towards long-term relationships with their customers that will guarantee them a stable cash in-flow. On the other hand, government negotiators focus on the instant contract and its immediate requirements, and they do not provide guarantees for a future relationship because they operate under a strict budget.

The competitive attitude of some negotiators also affects the negotiation processes. These negotiators struggle to achieve their objectives, even at the cost of alienating the other party. This attitude can result in a breakdown of the negotiation process when the other party decides to walk away. For instance, I participated in a contract negotiation for the acquisition of aviation electronics as a financial specialist where my team's counterparts refused to provide current cost and pricing data to justify the reasonableness of the prices. Their excuses were far away from what a prudent business person would accept. Their approach created mistrust on my team's part and the team seriously considered walking away from the negotiations. Finally, after a two day break of the negotiations, they decided to satisfy the team's request and the process continued.

The negotiating attitude of the opponents has also serious effects in the negotiation process. Due to culture or personality, or both, business executives appear to approach the making of an agreement with one of two basic behaviors: that a negotiation is a process through which both parties can benefit or a process through which one side wins and the other loses (Salacuse 1991).

The mixture of the teams is another factor reported that affects the negotiation outcome. In almost all cases the study participants reported that the teams were composed of people with different professional backgrounds. According to them, this multidiscipline composition of the teams had a positive effect in the negotiation process and its outcome. Specifically one participant stated that "the negotiation outcome was positively affected by the mixture of the group. Also, there were not any communication issues that created any problems. My opinion is that the fact that the team was composed of people with different backgrounds had a positive effect in the process."

The personality of the team members and especially the personality of the lead negotiator also affect the outcome of negotiation. Open-minded, flexible and soft-tempered persons are highly appreciated by their counterparts. One participant reported that

> The personalities of the negotiators played a significant role in the negotiation process. The members of both groups had a strong technical, financial and business background and they could understand what they should do in order not to lead the negotiation to a deadlock. They knew when they should insist and up to what extent on certain issues in order not to create situations from which nobody would be benefited. They were able to understand when they should stop their persistence on certain issues because the goal of both groups was to achieve an agreement that would benefit both sides.

The sensitivity to time differs among cultures and this is a factor that affects the negotiation process. When a negotiation party is constrained by a certain time limit, then it might attempt to shorten the negotiation period and cause distrust to the other party. According to an American participant of our study who has large experience in negotiating in teams having cultures that view the purpose of negotiation as creating a relationship rather than simply signing a contract (mainly Eastern cultures), there is a need to invest some time in the negotiation process so that the parties can get to know one another and develop trust among them. When the American team attempted to shorten the negotiation time, it was viewed by the other side as an attempt to hide something and therefore that caused distrust.

I.   THE SUCCESSFUL NEGOTIATOR

The participants in the study placed major emphasis on the preparation and careful planning of the negotiation strategy. More specifically, one participant stated that "he or she should be able to develop and plan for options that satisfy both parties. Also, a good negotiator should be able to communicate effectively by speaking in a businesslike manner, to listen effectively and when disagrees with something to show his or her disagreement with a non-argumentative manner."

VII.   CONCLUSIONS AND RECOMMENDATIONS

A.   INTRODUCTION

The purpose of this chapter is to present the conclusions obtained from the research and provide recommendations that will help a manager to negotiate more effectively in the international setting.

B.   CONCLUSIONS

The industries represented in this study belonged to the broader spectrum of the aviation engineering and related logistics support sector. The subjects who participated in the study represented the interests of their government as members of negotiation teams.

The negotiation teams that represented the interests of private organizations had a flexible structure. They were composed of a core of one or two persons and they were reinforced by additional experts that were dependent on the negotiation agenda. On the other hand, the government negotiation teams had a fixed composition because along with their negotiation duties based on their professional expertise, they also served as members of a jury responsible for protecting the interests of the government.

All participants reported that their group was composed of people with different professional backgrounds. According to them, this multidiscipline composition of the teams had beneficial effects in the negotiation process and its outcome.

The team members in all cases but one did not know each other from previous interactions. The participants stated, as a result of that, it took some time for the development of trust and cohesion among the team members which are essential for effective negotiating.

In nine out of the ten team negotiation cases discussed in the study, the negotiators stated with emphasis that their group goal was to achieve a mutually beneficial outcome. The group's goal was to "reach an agreement from which both parties would benefit," one participant stated. However, in one instance, when an American participant was confronted with the competitive behavior of his Saudi

counterpart, who believed that the goals of the parties were irreconcilable, he stated that. "They believed that the pie is fixed and they wanted more than half of what was available."

In all instances, with one exception, the participants in the study reported that the negotiations took place at the customer's installations. When a team negotiates at its place, it has the advantage of familiarity with the negotiating environment. Another advantage is that it has easy access to its own experts for needed advice and to superiors in the organization for special authorization and consultation. The participants in the study stated that it is common practice for negotiations to be held at the customer's installations because by going to other party's territory the seller shows a seriousness of intent and a strong desire to achieve an agreement.

In all negotiation cases discussed in the study, the private companies had already won a letter of intent by the government that gave them relative bargaining power in the negotiation table. However, the government negotiators stated that they were able to counterbalance this advantage by requesting precise justification of the cost and pricing data, and by being strict on evaluating the technical requirements and specifications of the equipment under procurement.

In most cases the atmosphere during the negotiations was good and everybody behaved politely and honestly. The instances of tensions were handled professionally. However, an American participant stated that the "fixed pie" perception of his Saudi counterpart resulted in an aggressive behavior that created an environment of continuous and intense disputes.

The participants in the study reported several factors that, according to their experience, can affect the negotiation process and its outcome. In the following paragraphs the most important of these factors are summarized.

All the participants placed a main emphasis on the proper preparation of the negotiation team. The negotiators should conduct extensive preparatory meetings in order to better educate themselves about all aspects of the contract they are going to negotiate, predict the other side's proposals and decide on the lowest limit they can accept as a trade-off agreement.

Another factor reported is the perception of the two sides of the negotiation process. For many cultures, negotiation is a process to arrive at a signed contract with a set of rights and duties that binds the two parties. For example, the American was focused on the contract being discussed and getting it signed was his main concern. On the other hand, for his Saudi counterpart the issue of relationship building was critical. However, it is important to note that even though some cultures such as the American culture are considered to be "deal-oriented," individual negotiators are affected by the culture of the organization that they represent. Private enterprise negotiators are oriented towards a long-term relationship with their customers that will guarantee them stable cash in-flow. On the other hand, government negotiators focus on the instant contract and they do not provide guarantees for a future relationship because they operate under a strict budget.

The personality of the team members and especially the personality of the lead negotiator were also reported as a factor that affects the outcome of negotiation. Open-minded, flexible and soft-tempered persons are highly appreciated by their counterparts, because as a participant stated "….They knew when they should insist and up to what extent on certain issues in order not to create situations from which nobody would be benefited. They were able to understand when they should stop their persistence on certain issues because the goal of both groups was to achieve an agreement that would benefit both sides."

Another factor that affects the negotiation process is the sensitivity to time. The participants stated that the sensitivity to time differs among cultures and when a negotiation party is constrained by a certain time limit, then it might attempt to shorten the negotiation period and cause distrust to the other party.

All participants stated as important attributes for a negotiator his/her ability to develop and plan for alternatives that satisfy both parties, communicate effectively by speaking in a businesslike manner, listen effectively and show his or her disagreement with a non-argumentative manner.

This study revealed that it is very important for a negotiator to understand the culture of his/her counterpart in order to be able to communicate, plan and decide the aspects of the agreement more effectively and reach a successful, mutually accepted outcome.

C.   IMPLICATIONS

In this section, some recommendations on what this study revealed as the most common traits that are faced during an international negotiation process are offered. If a negotiator learns to cope with them to a sufficient level, then he/she has enough tools in his/her possession for the purpose of negotiation.

1.   The Determination of the Negotiation Goal

In some cultures, mainly Western cultures, the negotiators' main concern is the agreement being discussed. That means that for them the goal is to get the contract signed. However, people in Eastern cultures mainly have a different conception about the matter. For them, the goal is to establish a long-lasting relationship between the parties and not to get a contract signed. Therefore, it is understood that it is difficult to close an agreement if the objectives of the negotiating parties differ, and for this reason it is important for the negotiator to determine if his/her goals match the goals of the other party.

2.   Negotiating Approach

The two basic approaches to negotiations are win-win and win-lose. In the case that both parties view the negotiation as a win-win process, it is easier to reach an agreement since both believe in achieving mutual gain.

On the other hand, when one of the parties views the negotiation as a win-lose situation, then it is difficult to reach an agreement because of the competitive party's reaction that perceives its loss as the other party's gain.

This research revealed that in a win-lose situation, the collaborative party or the party that possesses more power could take the following actions in order to make the opponent's attitude more cooperative and possibly switch the negotiation process to a win-win style:

      a.   Explain all the aspects and the perspectives of the deal under negotiation, because the other party might lack all the relevant information or

sophistication to fully understand the parameters of the agreement which might benefit him.

b.   The other party's real interest may be hidden. Try to determine it through questioning. Here is where the understanding of the other party's history and culture is involved.

c.   Be flexible and revise the proposal to satisfy the interest of the other party.

d.   Attack the problem instead of each other. What divides the two parties is a mutual problem. Negative personal comments should be avoided because they add nothing to a mutually satisfactory result. Negotiators should work side-by-side to resolve differences in a cordial and businesslike manner.

e.   Consider alternative solutions. A negotiator should attempt to identify alternative solutions that can be accepted by both parties. The final solution may not be as advantageous for the side that offered the original one, but it is perceived as better because it was achieved through mutual concession and cooperation.

3.   Negotiating Style

Style refers to the manner a negotiator talks, uses titles and dresses. The negotiators in interaction with their counterparts can be informal or formal. For instance, North Americans are informal and they like to address people by their first names, even from the initial meeting. In contrary, Greeks prefer to maintain a more formal attitude in their contacts. In such a case, the visiting negotiator should be informed about the host's attitude and adjust his/her behavior accordingly.

4.   Communication Style

In cultures where communication is direct, such as the North American culture, a negotiator expects direct answers to questions. In cultures where people communicate indirectly through the use of signs, gestures or unclear statements, such as in Saudi Arabia, it may be difficult to interpret messages easily. A negotiator must learn to interpret his/her counterpart's communication style in order to be effective and avoid misunderstandings.

5.   Time Planning of the Negotiation Process

It was found that the sensitivity to time differs from culture to culture. For example, to North Americans time is very precious and they like to go through a negotiation process and reach an agreement as soon as possible. On the other hand, this research revealed that Saudis have the opposite mentality about time.   Thus, a misunderstanding may occur between, for example, a Saudi and an American. The Saudi negotiator may interpret the latter's attempt to shorten the negotiation period as an attempt to hide an important fact. Therefore, the negotiation sessions should be planned with great care in order to secure that the whole process runs smoothly and covers all aspects.

6.   Agreement Formality

The form of the agreement is many times influenced by culture. This research revealed that Americans and Greeks prefer a detailed contract that covers all contingencies to the maximum foreseeable extent. On the other hand, Saudis prefer a contract in the form of general principles that will enable them to interpret it dependent upon the circumstances. In this case, the negotiator who prefers specific agreements should carefully examine the proposed by his/her counterpart principles and make sure that these principles are not under any circumstances interpreted in such a way that can harm his/her interests.

7.   Culture and Decision Making

In the United States, a senior manager is vested with the authority to make commitments for the organization. However, in other cultures a broader consensus within the organization must be sought before a contract is signed. Specifically, in Greece, senior managers have only the authority to make a proposal to a decision board that will make the final decision in regards to the closing of an agreement. In this type of organization, the managers are less flexible; it takes more time to close an agreement and the other party should understand and be prepared for it.

8.   Risk Taking

The attitude of the people towards risk is influenced by their culture. There are risk-averse and risk-prone cultures. This research revealed that the Greek culture, as opposed to the American one, is a risk-averse culture and this is reflected in the

organizational decision making process discussed above. If the negotiator determines that the other party is risk-averse, he/she should give special attention to the clauses of the contract and propose mechanisms and relationships that reduce the risks involved in the agreement.

D.   LIMITATIONS AND AVENUES FOR FUTURE RESEARCH

One limitation of the study was the number of participants. Even though they were very experienced in cross-border negotiations and carefully selected to reflect the current situation in the international setting, a more adequate number would be more appropriate. Another limitation was that the participants represented Western cultural attributes and therefore the results may have been influenced by their own cultural desirability biases.

Based on the results of this study, a future research should include a larger and more culturally diversified sample of participants. Furthermore, a future researcher could focus on the training needs of international contract negotiators. Increasing the cultural awareness through training and education can lead to successful preparation and implementation of an international negotiation process.

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APPENDIX A.   QUESTIONNAIRE

1.   What was the subject of the negotiation? (What was the purpose)

2.   What part of industry did the company belong to?

3.   What was the size of the groups?

4.   Where did the negotiation take place? (neutral place?)

5.   What were the general circumstances?

6.   How did it get started?

7.   Why were you there? What were your duties?

8.   What were the other group members' duties?

9.   Were the members of the groups known to each other from previous interaction for different contracts?

10.   What happened in the 1st meeting?

11.   What were the key events that you believe affected the process?

12.   What were your group's goals?

13.   What was the specific time limit given to your group for the negotiation?

14.   How long did it actually go on?

15.   What problems came up, and how were they solved?

16.   Do you think that the personality of the group members had effects in the process?

17.   What affected the outcome? (mixture of the group, communication issues)

18.   What makes the difference between a successful negotiator and a failed one?

19.   Name five things that you believe are very important in a negotiation process and affect its outcome.

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APPENDIX B.   INTERVIEW 1

1.   What was the subject of the negotiation? (What was the purpose)

The purpose of the negotiations was the establishment of a settlement between the contractor and the customer. This settlement should create to the contractor the obligation to provide additional materials and services as a balance for the non performance of a part of its contractual tasks (mainly waivers).The difficulty of the negotiation arises from the fact that the non performed contractual tasks should be weighted rationally, taking into account the operational impact, priced accordingly and balanced by corresponding means useful for the customer to be provided free of charge for him.

2.   What part of industry did the company belong to?

The main contractor was a company doing business in the military procurements area. This was the first big contract of this company with the customer and consequently it had a high interest to establish a strong position in the country of the customer and promote the potential for the future. The main contract was concluded with quiet a lot of problems and disputes apart from the subject of the negotiations. The customer was a public organization.

3.   What was the size of the groups?

From the contractor 5 persons, headed by the program manager and comprised from two engineers, a lawyer and a financial specialist. From the customer also 5 persons headed by the program manager and comprised from one engineer, one operator, one logistics and one financial specialist.

4.   Where did the negotiation take place? (Neutral place?)

The negotiations took place at the customer premises in its country (which is different than the country of the contractor).

5.   What were the general circumstances?

The ambience was pretty good and friendly without debates or disputes. Everybody behaved politely without offenses or bursts as if they neglected the amounts

that were relative to the subject of the negotiations. This atmosphere does not mean in any way that the parties deviated from their corresponding objectives which were the achievement of a compromise with the maximum benefits. One crucial difference was that the contractor group had more extensive authority than the customer one. This is usual with public organizations where the negotiation group actually suggests and does not conclusively decide. Such suggestion is consequently staffed and finally accepted by a public body of higher rank that has the financial authority.

6.   How did it get started?

Initially, correspondence was exchanged in order to schedule the first meeting. The nomination of the customer's committee and of its tasks was performed after a decision at the higher authorization level.

If such a settlement could not be achieved then the only remaining way should be the unilateral retention of payments corresponding to the calculated by the customer amount of the non performed contractual tasks and consequently as a reaction from the contractor side, the initialization of an arbitration procedure. If the settlement could be finally established then the main contract would continue normally and be concluded without payments retention.

7.   Why were you there? What were your duties?

I was responsible for engineering issues relative to the negotiation subject. My duties were not restricted because the group of the customer is not obliged to decide as one entity but everybody has the right to comment, express his opinion or disagree on everything. The different position in respect to the majority has to be clearly documented.

8.   What were the other group members' duties?

From the contractor 5 persons, headed by the program manager and comprised from two engineers, a lawyer and a financial specialist. From the customer also 5 persons headed by the program manager and comprised from one engineer, one operator, one logistics and one financial specialist. The members that headed the two groups coordinated the internal discussions and gave the final position of the corresponding teams.

9.   Were the members of the groups known to each other from previous interaction for different contracts?

From the customer side the members were known to each other since those members were part of the Program Management Group that was responsible for the implementation of the main contract.

10.   What happened in the 1ˢᵗ meeting?

During the first meeting general rules, time schedule and objectives were established. Moreover, a free discussion to reveal the peculiarities and the character of the group members took place. During negotiations, as rule of the customer, recording device and mobile phones should be de-energized.

11.   What were the key events that you believe affected the process?

During a negotiation process each party has to be prepared on the limits that can accept as a trade-off agreement. Those limits must not be directly revealed to the other side but be kept internally as a last point of acceptance, while at the same time an effort is performed to reach points of better trade-off agreement. It is also very important for each party to weigh carefully the consequences of a non-agreement. Such evaluation will influence the limits of a trade-off agreement. Some services, mainly those related to operational issues, are very difficult to be evaluated. Those services can be used from each group in the desired directions in order to justify the agreement.

12.   What were your group's goals?

The goal was to agree on a decent settlement that would provide to the customer useful additional services and materials to the maximum possible amount and avoid an inevitable arbitration procedure with unknown results. A minimum threshold of evaluation of the requested balance was also established, beyond which no settlement could be accepted. As planning from the customer side was also anticipated the improvement of the established agreement, following a discussion at a higher level where for example a high rank public official would ask something at the last moment directly more from the CEO of the company.

13. **What was the specific time limit given to your group for the negotiation?**

The given time limit to conclude the negotiation at the level of customer's group was two weeks.

14. **How long did it actually go on?**

The time limit was respected.

15. **What problems came up, and how were they solved?**

An agreement was finally established within at the preplanned limit zone (not at the edge though). Biggest anticipated problem was the agreement on a way to bind the contractor with the additional obligations arising from the settlement. Normally this binding is performed through payments retention (here we do not have payments but free of charge additional material and services) or through bank warranty letters. The contractor insisted on offering a limited value bank warranty (10 % of calculated value off the given services and materials.)

16. **Do you think that the personality of the group members had effects in the process?**

The personality and the consistency of the group members play a predominant role. Respect and knowledge also of the mentality of the others is very crucial. Greek people for example do not like forced behavior and react badly when somebody tries to impose its argument. On the other hand, they react well when somebody with politeness, directness and respect asks for something.

17. **What affected the outcome? (Mixture of the group, communication issues)**

The outcome was affected by the good knowledge of the discussed issues (composition of the groups), the careful study of the alternatives, the urgent need of additional services, and material for important operational reasons.

18. **What makes the difference between a successful negotiator and a failed one?**

A successful negotiator is willing to give something in order to take something else, in other words the willingness to accept a trade-off settlement and avoid the direct confrontation.

19. **Name five things that you believe are very important in a negotiation process and affect its outcome.**

- Establish a trade of settlement zone. Do not reveal your limits.

- Study in advance the alternatives in case of disagreement and evaluate them (from money and time point of view).

- Respect the mentality and peculiarities of the members of the other group. Avoid situations of tension, rudeness and hostility.

- Think ways to bind the parties for the obligations that arise from the outcome of the negotiation.

- Always consider that there is room for a better settlement in a higher level among people with different point of view. Never consider a negotiation as final.

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APPENDIX C.   INTERVIEW 2

1.   What was the subject of the negotiation? (What was the purpose)

I have engaged in several negotiations in international settings. I would like to pick on in particular with the gentleman that was providing engineering and logistics support for our base in Skopje in former Yugoslavia. It was a large contract and it included rehabilitations base facilities and provisions of basic services.

2.   What part of industry did the company belong to?

It was a conglomerate fully owned, a Greek company that had several construction contracts providing logistics in the Mediterranean area.

3.   What was the size of the groups?

From the contractor's side it was just the owner of the company.

From our side, it was me acting as lead negotiator, a U.S. Army Warrant Officer acting as engineering representative on behalf of NATO and a translator who was a local national who was translating both into the native language, English and into Greek. The translator acted when he was needed, but for the most part the Greek contractor spoke English quite well and we did not need the translator's services all that much.

4.   Where did the negotiation take place? (Neutral place?)

The negotiations took place in a neutral setting in the lobby of an international hotel in downtown Skopje. The hotel, which was quite nice, had a lot of space that we could do set up a table and conduct negotiations. Subject to that a few months later when we were still negotiating different aspects of contracts, we conducted negotiations with this same gentlemen and his representatives actually for the support bases we had established in Kumanovo, about 20 miles away from Skopje.

5.   What were the general circumstances?

We were part of a NATO recon team that went forward into a contingency environment to support the United Nations observer force that would try to determine whether Slobodan Milosevic was in compliance with a UN resolution.

The observer force was made up of some aerial units and predominately ground units that were authorized to drive around in Kosovo to make determinations whether they saw any war crime activities being perpetrate by Slobodan Milosevic.

The base that we were establishing was in just outside of Skopje and the purpose of the base was to provide an international extraction force in the event that either aircraft was downed over Kosovo territory or that any of the observers fell into peril. The extraction force was authorized to go in and retrieve those participants and get them back into safe territory, and so initially the base was designed to be kind of a forward coordinating and observation post.

6.   How did it get started?

It was actually based on an advertisement that we placed in local newspapers for international organizations to participate in assisting us in establishing operations at the camp.

We had advertised several regional newspapers and actually for that particular one had an advertisement through NATO channels that I believe it went all the way to Headquarters in Belgium and this is how the Greek contractor responded to it and decided that there were opportunities there for his business. He actually came up to our headquarters operations in Skopje.

7.   Why were you there? What were your duties?

We were there as I said as part of additional recon establishment team. I also worked with a team to put together an operations and implementations plan which was accepted and because it was accepted I was appointed to be the camp commandant and support group commander in the operation. So my position actually involved higher and higher and greater and greater authority.

8.   What were the other group members' duties?

Other group members that we had in negotiations as I said was my civil engineer and he provided all the drawings schematics and help develop statements of work that were interval to planning the contract requirements of negotiations.

Our translator was hired initially when we got on the ground in Skopje had a unique credential in that he had a masters degree. He was also multilingual, he understood engineering and he understood after we brought him up to speed of the contracting issues what was required to establish and maintain a NATO contract.

We had other team members to help us we had about 19 U.S. service members in the team that had different varying skills, most of them were enlisted, food service, medical, we had transportation, operations, we had a whole slew of specialists that depending on the requirements that we needed we could draw those specialties to help us develop statements of work and negotiate positions.

As far as the actual negotiation itself for the most part I was the lead negotiator along with a warranted contracting officer on the ground who was a United States Air Force Captain who worked for me so all the warranted signatures were placed by him. He was my warrant officer on the ground that would actually sign the contracts. His position there was to make sure that all negotiations and contract requirements were done in accordance with NATO regulations.

9.   Were the members of the groups known to each other from previous interaction for different contracts?

The answer to this is we all knew each other than the foreigners or the indigenous population that we hired when we actually got to Skopje. We knew each other but not from a business stand point. The captain and I knew each other but we had not done actual business together. So, this was the first time we actually got together and exercised our unique authority in that arena or during this operation and so we got to know each other in a different way for this particular thing. I had never met any of these other participants these contracts. The Greek folks that came up and participated in it I had never met any of these people before and so that was brand new to me.

10.   What happened in the 1st meeting?

The first meeting was somewhat of an exploratory meeting. We did not know who was the contractor and we were apprehensive. We were in a new environment utilizing somewhat new business rules.

We had a very vague understanding of what it was actually needed because everything was moving fast and so we knew that we were in position of power in that somebody was going to get a contract to what we needed. We understood that power base. But we did not understand the nature of the markets that we were in. We did not know how many vendors would be able to support the contract we wanted. We knew that we were in a mixed environment.

There were some people there that did not want us there. Some people that were actively trying to get us out of participating in any type of operations in Kosovo and so we were a little apprehensive.

So, we were looking for what I would consider to be strategic allies, people that we could rely on and so that initial meeting was really trying to understand what capabilities this Greek contractor was bringing to the table and what he really committed to supporting us, and was he going to be a fair business person to deal with.

We were really trying to understand him and his organization. Even though we knew we needed to get a contract in place. A lot of that first negotiation was just saying "what can you do for us?" Here is what we have, what can you do for us?

11.   What were the key events that you believe affected the process?

Key events were under NATO regulation. We had to formally advertise it. Even though we were at a time crunch and we had the capability to advertise truncated format, we did not have to leave it out for a long time, but we did have to advertise it. So the whole thing was predicated on that we had international acceptance of what we were doing.

Second thing was, that we knew based on the events that were happening on the ground, that we had a very limited time to do everything we wanted to do. So, we had a disadvantage in that we couldn't wait for ever to get contracts in place nor for contractors to act with these contracts.

When we got there 19 October I was told by Thanksgiving, which was roughly five weeks later, that the camp would have close to 350 people on it, that we had to be fully operational. That's a very, very short period of time to take. It was just some

empty buildings that had not been occupied for over 15 or 20 years. It had been stripped of all plumbing, all wiring, all hardware, and had no running water, no heat, no nothing, and to say that particular camp had to be fully operational and able to sustain that number of people in 5 weeks. So, we knew we did not have the luxury of time. We knew from the mission stand point that the mission commanders wouldn't take anything less than having that, exactly where they wanted it, by the time they wanted it.

12. What were your group's goals?

What functions would be required during the initial phases of that operation, which is initial deployment and going into the build up phase. What did we need to have in place? So we actually got together what I call a process action team and sat down in a room at the hotel that we were and brainstormed and said what functional things we need to support during this initial 45 to 60 days. We got a laundry list of things that we needed to happen and then we went through the processes to say from each one of those functional areas that we know we will need, what is the plan of action to get them in place and what are the time frames?

We actually laid all this out as a team and then said what can we do organically, in other words what does NATO have with them? And what don't we have with this that we will have to contract for them. We got the list that we brainstormed that list and gave us a very clear idea of what priority we had to place on putting contracts in place.

The basic capabilities of things were the top priority. Get the buildings renovated as a shell, get fresh water supplies, fuel supplies those types of things that was the number one priority.

So, the group's goals even going into negotiations was don't get side track with a lot of auxiliary stay focus on the main mission, and worry about those other things later.

13. What was the specific time limit given to your group for the negotiation?

We had about 5 weeks to get everything in place. That was for the initial build up, initial deployment and build up phases. After that the operations continued for another 8 months in that particular form and there were other contracts that were on

going but they were in sustainment phases which we had actually passed off to another officer. A French naval commander that took my place in February of the next year and he took on the sustainment phases which was different than what I had done.

14.   How long did it actually go on?

On the initial contract the negotiations took about I want to say 3 to 5 days to get all the requirements solidified to have the dialogue and saying "do you understand what we are trying to get here?" for him to come back with proposals on specific elements for us to review from a managerial stand point and approve them and get them crafted into a contract. It took about 5 days which is pretty fast considering what we were doing.

But we had a unique and a long term relationship with the Greek contractor because quite often when we needed to have other things done throughout the operation he became one of the bidders in the bidding pool. He had proven himself in NATO regulation and we put him on what I call the approved seller list.

So, if we had engineering things or things related to logistics of operations he automatically got a copy of the solicitation, whether or not he wanted one was a completely different story, but he was always invited to participate in things and he actually received several contract awards after that.

15.   What problems came up, and how were they solved?

For the most part the negotiations went pretty well. We did not have the luxury of time putting together very elaborate requirements because we were moving so fast and I only had a few guys on the ground and so we very reliant on the contractors to fill in the blanks. We left it up to the contractors to decide on how they were going to do it. But we did ask that they give us proposal so we could review it for technical compliance, and generally speaking, we did not have problems with that, not with that particular contractor. He was very good about getting us engineering drawings and proposals. Sometimes they did not come as fast as we wanted them, which made us nervous if we said for example that we wanted this drawing back by Thursday because we wanted award on Friday sometimes it did not come until Saturday morning. We were on the phone asking where is this thing at. The reply was we have our guys working on it.

It was challenging. But we never had any really insurmountable problems with them. Generally speaking, we kept the lines of communications opened which alleviated any misunderstandings we had.

16.   Do you think that the personality of the group members had effects in the process?

Yes, absolutely, I believe that the personality of the people had effects in the process.

The Greek contractor was very amicable, very friendly but he was a big-big conglomerate business man owner and very well respected in the region and he was very willing to help us. I think we were a very tiny-tiny little part of his business. Why did he want to help us? I think because he wanted to get his company known in NATO arena. I think he wanted to go on record saying he's participating with NATO; he just had a credential and to get another market. I think he knew that NATO was expanding, that NATO had revised its charter to allow NATO nations to go outside of its boundaries. I think especially the Mediterranean. I think he saw that as an opportunity to say there could be future business here. As small as this operation is if I do it right I will meet all these people and they will be part of NATO and they will have a track record for my company. So, I think he had a lot to gain from it.

I think my personality came into play. I am a type A personality, very detailed-oriented and I never stop until the job is done. That resulted to pushing the people, pushing the negotiations to a little bit beyond from what they thought their capabilities were. I remember many people saying that we will never do this and I was saying that we are going to work collectively and get it done on time.

17.   What affected the outcome? (Mixture of the group, communication issues)

I think, mostly what affected the outcome, we had a mutual need for each other. The contractor didn't need us for a business stand point, all that much, because the money was small compared to what he was used to. He needed us for marketing purposes. His business with us took him out from the Hellenic region and brought him to

the broader European region as far as business is concern. I think that was his key to the door for better business opportunities.

From our side, we needed him because there were not as many players in the region that had as much logistics capabilities as he did. So, even though we needed each other for completely different reasons, the fact is that we did need each other and that created a willingness to a bond to work together.

18.   **What makes the difference between a successful negotiator and a failed one?**

I think that successful negotiators have the capability to adequately plan and define their requirements and to communicate these requirements such a way that another person can translate into what he is going to do. You have to communicate your requirements clear enough so that the other party understands what his responsibilities are. If they agree to those responsibilities, the next thing is to make sure that everybody does what they said they are going to do. So, I thing it is very important to accurately communicate your point.

19.   **Name five things that you believe are very important in a negotiation process and affect its outcome.**

One is proper planning and preparation. If you go to a negotiation without having properly plan, you will have many problems. They are not going to understand what you want; you are going to be negotiating over an undefined goal. So, it is going to lack clarity, finality and you might not even know if you reached your goal. It is absolutely imperative that you plan properly.

You must adequately create all the documentation to support going in to negotiations.   Also, take accurate notes during negotiations and properly document everything and then you capitalize on what has been discussed by reentering the point and talking about the structure that you intend to create on a piece of paper, and make sure what is written is okay with your counterparts.

So, the main thing about entering a negotiation is proper planning and preparation.

APPENDIX D.   INTERVIEW 3

1.   What was the subject of the negotiation? (What was the purpose)

The purpose of the negotiations was the formation of a mutually accepted contract for the procurement of a training instrument used for fighter pilot training.

2.   What part of industry did the company belong to?

It was a large European company activated in the military aviation area.

3.   What was the size of the groups?

The buyer's team, my team, was comprised of six persons. They were two fighter pilots, two engineers, one financial specialist and one logistics specialist.

The seller's team did not have a permanent and specific composition. The core was composed of three persons: the lead negotiator and two engineers. However, depending on the daily agenda of the negotiations, the team was reinforced with specialists for the particular subject that would be discussed on that particular day.

4.   Where did the negotiation take place? (neutral place?)

It is a common practice the negotiations to be held at the customer's installations. In our case, the negotiations took place at General Directorate of Armaments of the Hellenic Ministry of Defense.

5.   What were the general circumstances?

The atmosphere during the negotiations was very good. There were not tensions between the two parties and everybody behaved politely, honestly and with a professional manner. Everyday, the discussion was documented and in the end of the day copies of minutes were given to both parties in order to agree on what was written.

6.   How did it get started?

After the international bit and the procurement award to this particular company, a correspondence was exchanged in order to schedule the procedure for contract negotiation. The fact that the procurement was already awarded to that company gave

more leverage to our negotiation counterparts. However, we could counterbalance that by focusing on cost, pricing and equipment specification issues.

7.   Why were you there? What were your duties?

I am an engineer and I was participating as a representative of the Air Force General Staff. Prior to my participation in this negotiation team, I was chairman of the committee that evaluated the technical proposals of the companies that participated in the international bit that was won by this particular company.

8.   What were the other group members' duties?

In our group there were two fighter pilots, one more engineer, one financial specialist and one logistics specialist. Their duties were relevant to their professional background.

9.   Were the members of the groups known to each other from previous interaction for different contracts?

The members of our team did not know anybody form the seller's team. They met for the first time in the negotiations.

As far as our team is concerned, I realized that it was not homogeneous because some of the members had never been in negotiations before and were not aware of the laws and regulations that govern procurement negotiations. That means that they were ignoring the significance of some aspects of the contract that seemed to be not important to them. Nevertheless, there was trust among the members of our team. Whenever a member was requesting the inclusion of a clause in the contract that was relevant to his expertise, we trusted him and we were backing his position without arguments.

10.   What happened in the 1ˢᵗ meeting?

In the first meeting we allowed the other party to propose how they think the negotiations should proceed. They presented us a draft contract based on an older contract that they had signed with the Greek government a few years ago. This draft contract was totally rejected by us and instead we handed over to them a new draft contract, completely different that the one they presented to us. We proposed that the negotiations should be based on this contract. They agreed, and we started negotiating on

the draft contract from the very first article, going in sequence from article to article. I noticed that they mainly focused to the articles related to finance, warranties and legal bindings arising from the contract.

11.   What were the key events that you believe affected the process?

External factors tried to affect the negotiation process. One of them was newspaper articles that were making remarks to the negotiation procedure. The other external factor that tried to intervene or exercise influence was foreign ambassadors, who were trying to protect the interests of their country's industry.

12.   What were your group's goals?

To reach an agreement from which both parties would benefit. Our purpose was to achieve a win-win outcome.

13.   What was the specific time limit given to your group for the negotiation?

The given time limit to conclude the negotiation was two months.

14.   How long did it actually go on?

The time that the negotiations lasted, was much more. The negotiations lasted six months, working intensively.

15.   What problems came up, and how were they solved?

We did not face any serious problems in the negotiation process. The only problems we had, if you can call them problems, were the usual ones that arise when the members of a new team whose members have never met before have to perform duties that are not very familiar to them.

16.   Do you think that the personality of the group members had effects in the process?

The personalities of the negotiators played a significant role in the negotiation process. The members of both groups had a strong technical, financial and business background, and they could understand what they should do in order no to lead the negotiation to a deadlock. They knew when they should insist and up to what extent on

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certain issues in order not to create situations from which nobody would be benefited. They were able to understand when they should stop their persistence on certain issues because the goal of both groups was to achieve an agreement that would benefit both sides.

17.   What affected the outcome? (Mixture of the group, communication issues)

The negotiation outcome was positively affected by the mixture of the group. Also, there were not any communication issues that created any problems. My opinion is that the fact that the team was composed of people with different backgrounds had a positive effect in the process.

Another factor that affected the outcome was the personality of the lead negotiators. The way they conducted the proceedings and their soft-temperate character really contributed to the successful outcome.

The outcome also was affected by the time pressure because the negotiations already had lasted more than it was anticipated.

18.   What makes the difference between a successful negotiator and a failed one?

Successful is the negotiator who is well prepared and plans carefully his negotiation strategy. He or she should be able to develop and plan for options that satisfy both parties. Also, a good negotiator should be able to communicate effectively by speaking in a businesslike manner, to listen effectively, and when disagrees with something to show his or her disagreement with a non-argumentative manner.

19.   Name five things that you believe are very important in a negotiation process and affect its outcome.

    a.   Preparation.

    b.   Communicate in a businesslike and non-argumentative manner.

    c.   Disagree in a polite manner while searching for agreement.

    d.   Develop trust between the two parties.

    e.   Promote cooperation among the members of your group.

APPENDIX E.   INTERVIEW 4

1.   What was the subject of the negotiation? (What was the purpose)

The purpose of the negotiations was the formation of a mutually accepted contract for the procurement of search and rescue helicopters.

2.   What part of industry did the company belong to?

It was a large European company activated in the aviation area.

3.   What was the size of the groups?

The buyer's team (my team) was comprised of seven persons. They were three pilots, two mechanical engineers, one aeronautical engineer and one financial specialist.

The seller's team did not have a permanent and specific composition. Only the lead negotiator was present in all meetings. Depending on the daily agenda of the negotiations, the lead negotiator was reinforced with specialists for the particular subject that would be discussed on that particular day.

4.   Where did the negotiation take place? (Neutral place?)

The negotiations took place at the customer's installations at the General Directorate of Armaments of the Department of Defense.

5.   What were the general circumstances?

The atmosphere was very good and friendly. The business and legal environment was familiar to the seller because a few years before they sold a similar type o helicopter to another branch of the government (outside the Department of Defense).

6.   How did it get started?

After the international bit and the procurement award to this particular company, a correspondence was exchanged in order to schedule the procedure for contract negotiation.

7.   Why were you there? What were your duties?

I am a finance officer and I was participating as a representative of the Department of Finance of the Air Force General Staff. I was responsible for the cost and financing part of the contract as well as the legality of the process.

8.   What were the other group members' duties?

Besides me there were three pilots, two mechanical engineers and one aeronautical engineer (civilian, Department of Defense employee). Their duties were relevant to their professional background.

9.   Were the members of the groups known to each other from previous interaction for different contracts?

The members of our team did not know anybody form the seller's team. They met for the first time in the negotiations.

On the other hand, our group was composed of people with different professional backgrounds and we had never met before. Effective negotiating requires trust and cohesion among group members and that took us some time to develop.

10.   What happened in the 1st meeting?

In the first meeting, the atmosphere was happy and relaxed, especially from the seller's part. As I said before they had conducted the same business with another branch of the government, they were confident about the outcome of the agreement and they thought the process would be the same.

11.   What were the key events that you believe affected the process?

Our counterparts presented the old contract they had signed with the government a few years back, proposing to make change to it to fit the current circumstances. It came as a great surprise to them when their proposition was totally rejected. Instead we presented them a totally different draft contract that was suited to the specificities and the needs and requirements of the Department of Defense, requesting that we should work on that contract. It was explained to them that the procurement laws and regulations as well as the needs and requirements are completely different than the ones of a civilian

governmental agency. After presenting our arguments they gave their concession and we continue using our draft contract.

Another key element that affected the process was that our counterparts, unlike their previous experience, now they had to negotiate with highly specialized professionals who knew very well the helicopter under procurement. The pilots had flown the same type of helicopter and one of them was trainer. The engineers also were very experience on this type of helicopter.

12.   What were your group's goals?

The company had already received a letter award of the procurement.

Our group's goal was to reduce the prices to a more reasonable level and/or depending on the progress of the negotiations, to receive free support services, such as spare parts, logistic support services and training instruments.

13.   What was the specific time limit given to your group for the negotiation?

The given time limit to conclude the negotiation was forty-five days.

14.   How long did it actually go on?

It actually went on for six months.

15.   What problems came up, and how were they solved?

The problems that came up are related with the factors that affected the negotiations process and are described above in question 11. Our counterparts clearly did not expect to face such a situation and they were not prepared for the negotiations to turn out that way. The situation became very critical and the negotiations were approaching a dead end. This is when the lead negotiator of our counterparts reacted surprisingly fast. In one day he replaced all the members of his team. The new members were very experienced and highly specialized engineers and pilots. After this move, it became evident that negotiations started to progress because our team members and the new counterparts were now speaking the same technical language. The old team was

composed of people responsible for the promotion and marketing of the helicopter. The new team was composed of people who were actively participating in the construction and flight tests of the helicopters.

16.   Do you think that the personality of the group members had effects in the process?

Yes, I believe that the personalities of the negotiators played a significant role in the negotiation process. After the group of our counterparts was changed the members of both groups had a strong technical background and they were able to communicate more effectively.

The lead negotiator of our counterparts was a very capable person. He was an impressive speaker and very knowledgeable. He was speaking in an articulate, confident and businesslike manner. He was giving the impression that whatever he says is not mistaken.

17.   What affected the outcome? (Mixture of the group, communication issues)

The single most important thing that affected the outcome of the negotiations was the move of our counterparts' lead negotiator to replace his team with specialists who were able to communicate effectively with our team.

18.   What makes the difference between a successful negotiator and a failed one?

Successful negotiator is the one who exhibits the ability to understand the requirements and abilities of his or her opponent and adjusts to them. Also, a good negotiator should listen carefully to the other party's positions and speak in a polite and non-argumentative manner.

19.   Name five things that you believe are very important in a negotiation process and affect its outcome.
- Cooperation among the members of the team.
- Preparation.
- Knowledge of the subject.

- The extent of the authority vested in the team.
- Time limit given to conclude negotiations.

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APPENDIX F.   INTERVIEW 5

1.   What was the subject of the negotiation? (What was the purpose)

The purpose of the negotiations was the formation of a mutually accepted contract for the construction of three airfields and maintenance facilities in Saudi Arabia.

2.   What part of industry did the company belong to?

It was not a private enterprise. It was the government of Saudi Arabia.

3.   What was the size of the groups?

Both groups did not have a permanent and specific composition. Depending on the daily agenda of the negotiations, the teams were reinforced with specialists for the particular subject that would be discussed on that particular day.

4.   Where did the negotiation take place? (Neutral place?)

The negotiations took place at the Saudi Arabia Air Force installations.

5.   What were the general circumstances?

The atmosphere during the negotiations was friendly and the people hospitable. However, sometimes there were tensions over some issues, which is common in this kind of business.

6.   How did it get started?

It was a government to government agreement for the construction of the airfields and the maintenance facilities.

7.   Why were you there? What were your duties?

I was Commander of the U.S.A.F. Logistics Support Group in Saudi Arabia. My duties were to serve as an interface between the subcontractors and the Saudi Air Force.

8.   What were the other group members' duties?

The duties of the other group members were related to their professional background (logistics, engineering, financial management).

9.   Were the members of the groups known to each other from previous interaction for different contracts?

The members of the groups were not known to each other from previous interaction for different contracts. Even the members of our group were not known to each other. They met for the first time at this assignment.

10.   What happened in the 1ˢᵗ meeting?

There was a prenegotiation agreed agenda and we followed the schedule of the agenda.

11.   What were the key events that you believe affected the process?

The process was affected by technical issues related to the specifications of the installations to be built.

12.   What were your group's goals?

Our goal was to manage effectively the contract in accordance with its clauses.

13.   What was the specific time limit given to your group for the negotiation?

There was no specific time limit to conclude the process. However, the agreement should be achieved within a reasonable time given the size of the contract

14.   How long did it actually go on?

It actually took four months.

15.   What problems came up, and how were they solved?

The problems that came up were related to the technical aspects of the contract. Also another problem that has to do with the culture of the Saudis was that a signed contract does not mean much to them. They tend to press and ask for more than the terms of contract dictates. The problems were solved through discussion and by being flexible.

16.   Do you think that the personality of the group members had effects in the process?

Yes, the personality of the group members affects the outcome. Our counterparts (Saudis) were very insistent and pushy; however they were showing the necessary flexibility to keep the process running.

17.   What affected the outcome? (Mixture of the group, communication issues)

The outcome was affected by the different mentality, culture and processes between the two groups. The Saudis were very aggressive and the term signed agreement had a different meaning for them which created a communication problem. Their negotiation attitude was dictated by the fact that they believed that the "pie is fixed" and they wanted more than half of what was available. There was also a body language issue and we should be careful in order to avoid misunderstandings. You should never show the soles of your shoes to a Saudi. The respect and the tolerance we showed to their culture helped the negotiation process.

Also it is very important for them to establish a trusting relationship before you actually start the process. This actually takes two to three meetings.

18.   What makes the difference between a successful negotiator and a failed one?

A successful negotiator should become accepted and trusted by the other party, and be well prepared and informed.

19.   Name five things that you believe are very important in a negotiation process and affect its outcome.

The following things are very important and affect the negotiation outcome:

- The leverage of the parties

- The possession of information about details

- The time available to conclude the negotiations.

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